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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Second application of Pacific Gas and Electric Company for Approval of Agreements Resulting from Its 2014-2015 Energy Storage Solicitation and Related Cost Recovery	Application No. 16-04-024

GREEN POWER INSTITUTE OPENING COMMENTS ON PROPOSED DECISION ON SECOND APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR APPROVAL OF AGREEMENTS RESULTING FROM ITS 2014-2015 ENERGY STORAGE SOLICITATION AND RELATED COST RECOVERY

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Gregory Morris, Director
Tam Hunt, Consulting Attorney
The Green Power Institute
a program of the Pacific Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
ph: (510) 644-2700
fax: (510) 644-1117
gmorris@emf.net
tam@communityrenewables.biz

GREEN POWER INSTITUTE OPENING COMMENTS ON PROPOSED DECISION ON SECOND APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR APPROVAL OF AGREEMENTS RESULTING FROM ITS 2014-2015 ENERGY STORAGE SOLICITATION AND RELATED COST RECOVERY

The Green Power Institute (GPI) respectfully submits these opening comments on the Proposed Decision (PD) on the ***Second application of Pacific Gas and Electric Company for Approval of Agreements Resulting from Its 2014-2015 Energy Storage Solicitation and Related Cost Recovery,*** mailed on October 21, 2016.

The Green Power Institute (GPI) is the renewable energy program of the Pacific Institute, a non-profit environmental and social advocacy group. Under the direction of Dr. Gregory Morris, the Green Power Institute performs research and provides advocacy on behalf of renewable energy systems and the contribution they make to reducing the environmental impacts of fossil-based energy systems. The Green Power Institute is located in Berkeley, California.

A summary of our comments follows:

- GPI urges the Commission to elaborate and clarify its cost-effectiveness requirements for new storage contracts. As is, the PD makes a determination with no discussion of the precedent cited and the contours of such precedent in this decision. Moreover, the PD seems to cite incorrect precedent.
- We disagree with the PD's suggestion that the 4 MW shortfall for PG&E's 2014 energy storage procurement obligation should be pushed to the next RFO. There are likely qualifying bids from the previous RFO that should, per considerations of equity and fairness, have a chance to obtain a contract.
- The GPI protests the PD's conversion of GPI from an active party to information only status because this change is not supported by the Rules of Practice and Procedure, infringes on intervenor due process rights, and risks discouraging intervenor participation.

I. Opening Comments

a. The PD should clarify the cost-effectiveness requirements it is imposing on new storage contracts

GPI notes that the Commission has still not adequately addressed GPI's concerns about the cost-effectiveness requirement for new storage contracts, pursuant to AB 2514, in this PD, or in any decision issued since the Commission's initial rulings on this matter in D.13-10-040. GPI has raised this issue now in numerous proceedings, in writing, in person, and in discussions with staff. We are at this point rather puzzled as to why the Commission hasn't addressed this important point.

Our response to the Application in this proceeding raised the concern again. We stated, to summarize our full comments in our response (GPI Response, p. 2, emphasis added):

> All storage procured pursuant to AB 2514 must be "viable and cost-effective." D.13-10-040 states (p. 55): "AB 2514 requires that energy storage targets and procurements must be 'viable and cost-effective.' To that end, we have devoted a great deal of attention and effort into formulating a cost-effectiveness approach that would be sufficient to meet Section 2836.2(d)." As PG&E's testimony in this application suggests, the evaluation that PG&E conducted on the chosen storage contracts was designed, at least in part, to examine whether the projects at issue had a positive Net Market Value (the benefits outweighed the costs). (PG&E testimony p. C-61, et seq.). However, nowhere in PG&E's application or testimony does it mention the cost-effectiveness criterion from AB 2514 or D.13-10-040.

To be clear on our concern: while the utilities', including PG&E in this case, have offered various tests for evaluating bids, none of the tests offered, and none of the Commission's determinations or guidance, have yet made explicit what exactly it means for storage projects to be "viable and cost-effective." The PD continues this tendency by not supplying any further guidance on how the Commission is interpreting the law's requirements for viability and cost-effectiveness.

The Scoping Ruling in this proceeding doesn't mention cost-effectiveness as an issue, nor does it even mention this term. The Ruling does list as an issue compliance with the procedures approved in D.14-10-045, which includes by implication the various tests for cost-effectiveness that PG&E has applied in evaluating bids. There is no discussion, however, of what it means to be cost-effective and to what degree the Commission will apply these tests strictly or not in approving or rejecting proposed contracts. Indeed, the present Application highlights this problem because the Commission rejects the proposed contract for lack of cost-effectiveness without defining under what circumstances proposed contracts might be approved even if they do not strictly meet the required tests, or whether it will apply the tests strictly. Obviously PG&E and Stem thought there was room for such approval even with failing these tests, or they wouldn't have proposed that the Commission approve the contract despite a lack of cost-effectiveness.

Despite the fact that neither the PD nor the Commission more generally has addressed the cost-effectiveness requirements of AB 2514 since D.13-10-040, the PD does indeed deny the Application based on a failure by PG&E to show cost-effectiveness of the Stem contract at issue. GPI is pleased that this issue was addressed, at least partially, in the PD, but we strongly urge the Commission to broaden its discussion of the cost-effectiveness requirement in the final decision, and to make it clear as to how the Commission will determine cost-effectiveness for future contracts submitted by utilities for Commission approval. As is, the PD provides little guidance on this issue, stating only (PD, p. 6):

> While we agree that there is value in adding diversity to the portfolio and gaining experience to support behind-the-meter storage, given that the proposed agreement is not cost-effective as required by Pub. Util. Code § 380(j), we find that the agreement should not be approved.

It appears that the precedent cited by the PD is incorrect, because cost-effectiveness of storage facilities is not discussed in the passage cited. In fact, storage facilities are not discussed at all in that passage. The passage cited applies only to demand response resources. Section 380 applies more generally to resource adequacy. Pub. Util. Code Sec. 380(j) states, in full:

> The commission shall ensure appropriate valuation of both supply and load modifying demand response resources. The commission, in an existing or new proceeding, shall establish a mechanism to value load modifying demand response resources, including, but not limited to, the ability of demand response resources to help meet distribution needs and transmission system needs and to help reduce a load-serving entity's resource adequacy obligation pursuant to this section. In determining this value, the commission shall consider how these resources further the state's electrical grid reliability and the state's goals for reducing emissions of greenhouse gases. The commission, Energy Commission, and Independent System Operator shall jointly ensure that changes in demand caused by load modifying demand response are expeditiously and comprehensively reflected in the Energy Commission's Integrated Energy Policy Report forecast, as well as in planning proceedings and associated analyses, and shall encourage reflection of these changes in demand in the operation of the grid.

It seems to GPI that the appropriate code section for AB 2514's cost-effectiveness criterion is either Pub. Util. Code Sec. 2836.2(d), as cited by D.13-10-040 (see our quote above from our Response), or 2835(a)(1). Section 2836.2 states, in full (emphasis added):

> In adopting and reevaluating appropriate energy storage system procurement targets and policies pursuant to subdivision (a) of Section 2836, the commission shall do all of the following:
>
> (a) Consider existing operational data and results of testing and trial pilot projects from existing energy storage facilities.
>
> (b) Consider available information from the California Independent System Operator derived from California Independent System Operator testing and evaluation procedures.
>
> (c) Consider the integration of energy storage technologies with other programs, including demand-side management or other means of achieving the purposes identified in Section 2837 that will result in the most efficient use of generation resources and cost-effective energy efficient grid integration and management.
>
> (d) <u>Ensure that the energy storage system procurement targets and policies that are established are technologically viable and cost effective</u>.

Section 2835(a)(1), states in full, mentioning the cost-effectiveness criterion four times:

> On or before March 1, 2012, the commission shall open a proceeding to determine appropriate targets, if any, for each load-serving entity to procure viable and cost-effective energy storage systems to be achieved by December 31, 2015, and

> December 31, 2020. As part of this proceeding, the commission may consider a variety of possible policies to encourage the cost-effective deployment of energy storage systems, including refinement of existing procurement methods to properly value energy storage systems.
>
> (2) The commission shall adopt the procurement targets, if determined to be appropriate pursuant to paragraph (1), by October 1, 2013.
>
> (3) The commission shall reevaluate the determinations made pursuant to this subdivision not less than once every three years.
>
> (4) Nothing in this section prohibits the commission's evaluation and approval of any application for funding or recovery of costs of any ongoing or new development, trialing, and testing of energy storage projects or technologies outside of the proceeding required by this chapter.
>
> (b) (1) On or before March 1, 2012, the governing board of each local publicly owned electric utility shall initiate a process to determine appropriate targets, if any, for the utility to procure viable and cost-effective energy storage systems to be achieved by December 31, 2016, and December 31, 2020. As part of this proceeding, the governing board may consider a variety of possible policies to encourage the cost-effective deployment of energy storage systems, including refinement of existing procurement methods to properly value energy storage systems.
>
> (2) The governing board shall adopt the procurement targets, if determined to be appropriate pursuant to paragraph (1), by October 1, 2014.
>
> (3) The governing board shall reevaluate the determinations made pursuant to this subdivision not less than once every three years.

In sum, we urge the Commission to both clarify the precedent cited for the cost-effectiveness requirements, to more generally address the big picture requirements for cost-effectiveness of energy storage, and to flesh out how the Commission will determine when projects are "viable and cost-effective." As we noted in our Response, the Commission has not commented on the failure of PG&E or the other utilities to address explicitly cost-effectiveness requirements, as required by D.13-10-040, so there seems to be something of a disconnect on this important issue.

b. Other bidders should have a chance to obtain a contract now that PG&E has not met its 2014 energy storage procurement mandate

The PD states its agreement with ORA's suggestion that the 4 MW of capacity that the STEM contract would otherwise have won should go into the 2016 RFO (PD, p. 7). GPI disagrees and urges the Commission to instead require PG&E to offer the 4 MW to a qualifying party from the previous RFO, if there are any qualifying parties. It is only fair that parties that took the time to make a bid in the 2014 RFO should be able to earn that capacity if they qualify, rather than requiring parties to make a new bid and go through the entire process again just to earn the chance to negotiate with PG&E.

c. Problems with making the CEP confidential are now becoming apparent

We also wish to note the degree to which our previous concerns about the CEP being made confidential are coming to fruition. We now have the unfortunate situation where ORA is the only party that can access the CEP and comment on the application with knowledge of the CEP. The consequence is that not only do other parties and the public more generally forego any benefit of being able to view the CEP – a tool designed explicitly to allow for a common evaluation across utilities – but we now are faced with the situation where ORA's briefs in this case are redacted heavily, to the point that they are almost unreadable in certain sections.

d. The PD should be modified to eliminate GPI from the list of information only parties

The PD converts three parties from active status to information only, including GPI (PD, p. 8). It states that since these parties weren't active subsequent to the prehearing conference they are being converted to information only. This has the important effect of eliminating these parties' appeal rights. As such, this conversion shouldn't be taken lightly by the Commission since it is a major infringement of party rights.

There is no precedent in the Rules of Practice or Procedure for this practice. GPI's director Morris received notice of the PD and forwarded this for Hunt's attention, who had not received notice of the PD, after a similar situation occurred with respect to a different storage application. GPI submitted its Response on the application on May 31, 2016, so not much time has elapsed between when protests and responses were due and the release of the PD. This is generally a good thing – we like expedited proceedings as a general matter – but we were not alerted by any particularly long lag time since the PHC that we should check online for any rulings or related documents.

There is no rule requiring that intervenors take part at every stage in a proceeding to remain an active party. Moreover, such a rule would represent a serious infringement on the rights of intervenors to manage their caseload. Sometimes a single well-crafted and timely intervention can achieve the desired outcome. In this case, GPI submitted a Response that laid out our main concerns, one of which was the cost-effectiveness issue. We are also commenting on the PD itself. We will have missed only opening and reply briefs in this proceeding.

In sum, GPI strongly urges the Commission to modify the PD to remove GPI from the list of parties converted to information only, and to maintain our status as a Party.

II. Conclusion

For the reasons described above, we urge the Commission to adopt the recommendations above.

Dated: November 8, 2016, at Berkeley, California.
Respectfully Submitted,

Gregory Morris, Director
The Green Power Institute
a program of the Pacific Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
ph: (510) 644-2700
e-mail: gmorris@emf.net